

Message Text

PAGE 01 TOKYO 07143 01 OF 02 300953Z

10

ACTION EA-10

INFO OCT-01 ISO-00 ARA-06 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 PM-03 H-02 INR-07 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

IO-10 EUR-12 SAM-01 /106 W

----- 118372

O 300841Z MAY 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 494

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 7143

E.O. 11652 GDS

TAGS: PFOR, EAID, US, JA, XM

SUBJECT: US-JAPAN CONSULTATIONS ON LATIN AMERICA

DEPARTMENT PLEASE PASS ALL ARA DIPLOMATIC POSTS

SUMMARY: SECOND DAY OF US-JAPAN CONSULTATIONS ON LATIN AMERICA FOCUSED ON A WIDE VARIETY OF ECONOMIC ISSUES, WITH PARTICULAR ATTENTION TO INVESTMENT, AID AND TRADE ISSUES. END SUMMARY.

1. PRIVATE INVESTMENT ENVIRONMENT. KLEINE SUMMED UP OUR APPRECIATION OF CURRENT ENVIRONMENT, NOTING TENDENCIES TOWARDS MORE RESTRICTIVE ENVIRONMENT, WHICH, HOWEVER, SEEM LESS DIGNIFICANT TO US BUSINESS THAN STABILITY OF RULES. IN RESPONSE, DATE SAID GOJ ASSESSMENT IS BASICALLY SAME AS USG'S. GOJ DOES FEEL THERE IS ROOM FOR INCREASE IN JAPANESE PRIVATE INVESTMENT, PARTICULARLY IN SOCIAL AND ECONOMIC DEVELOPMENT FIELDS, IN PART BECAUSE LEVEL OF JAPAES INVESTMENT STILL REMAINS MUCH SMALLER THAN THAT OF US. JAPANESE INVESTMENT IN LA ROSE TO 2.4 BILLION DOLLAARS IN 1974, A FOUR INCREASE OVER
CONFIDENTIAL

PAGE 02 TOKYO 07143 01 OF 02 300953Z

PREVIOUS YEAR.

2. ASST. SEC. ROGERS RAISED QUESTION OF MARCONAA NEGOTIATIONS IN PERU. FIRST DIV. DIR. NAKASONE RE-

PLIED THAT OFFICIAL GOJ POSITION IS ONE OF NEUTRALITY, BUT THAT IT HAD TOLD GOP THAT IT WOULD LIKE TO SEE NEGOTIATIONS BROUGHT TO A CONCLUSION WHICH WOULD SATISFY BOTH PARTIES. NAKASONE TOLD US, QUOTE CONFIDENTIALLY UNQUOTE THAT MARCONA HAD WANTED TO SET UP A PELLETIZING PLANT WITH COOPERATION OF CERTAIN JAPANESE TRADING FIRMS. THESE HAD DECIDED TO HOLD OFF UNTIL THE EXPROPRIATION ISSUE IS RESOLVED. WE NOTE PARENTHETICALLY THAT PRESS HERE CARRIED STORY THAT A MARCONA REPRESENTATIVE IS NOW VISITING TOKYO TO DISCUSS A PELLETIZING PROJECT IN BRAZIL.

3. JAPAN-US COOPERATION IN MAJOR PROJECTS. DEPUTY DIR. GEN, NAITO RAISED CONCEPT OF US-JAPAN JOINT DEVELOPMENT PROJECTS. HE SUGGESTED THAT LATIN AMERICANS WERE TAKING ADVANTAGE OF US-JAPANESE COMPETITION OVER INVESTMENT OPPORTUNITIES, AND SUGGESTED WE COULD PROTECT OURSELVES AGAINST EXPROPRIATION AND STRIKE A BETTER DEAL BY COMBINING FORCES FOR MAJOR INVESTMENT PROJECTS. BOTH SIDES AGREED THAT SITUATION WAS PRIMARILY ONE FOR PRIVATE SECTORS OF TWO COUNTRIES, BUT ROGERS SAID HE MIGHT SAY SOMETHING ABOUT THIS IDEA TO COUNCIL OF THE AMERICAS MEETING IN WASHINGTON NEXT WEEK. BOTH SIDES AGREED THAT POSSIBILITIES OF JOINT ENTERPRISES SHOULD NOT BE LIMITED TO JAPAN AND THE US, BUT MIGHT WELL INCLUDE EUROPEANS AS WELL AS LOCAL INVESTORS IN HOST COUNTRY. ECONOMIC COOPERATION BUREAU DEPUTY DIR. GEN. ISHII OPINED THAT JAPANESE ENTERPRISES ARE BECOMING MORE RECEPTIVE TO IDEA OF MULTILATERAL ENTERPRISES FOR TWO REASONS: 1) THEY ENHANCE THE SECURITY OF THE PROJECT AND ITS PROFIT, AND 2) AS JAPANESE ENTERPRISES ARE INTERESTED IN IMPLEMENTING NUMEROUS LARGE OVERSEAS INVESTMENTS, THEY WANT AND NEED FINANCIAL COOPERATION FROM INVESTORS IN OTHER COUNTRIES.

4. ANDEAN INVESTMENT CODE. KLEINE SUMMARIZED U.S. CONFIDENTIAL

PAGE 03 TOKYO 07143 01 OF 02 300953Z

PERCEPTION. NAKASONE SAID THAT GOJ HAS NOT BEEN TOO APPREHENSIVE CONCERNING INVESTMENT CODE BECAUSE GOJ UNDERSTANDS DIFFERENCE BETWEEN WORKING OF THE CODE AND ITS ACTUAL IMPLEMENTATION. JAPANESE UNDERSTAND THAT FUTURE INVESTMENTS MUST BE SUBJECT TO CODE. GOJ SENT EVALUATION MISSION TO ANDEAN COUNTRIES LAST YEAR, ITS REPORT WAS FAIRLY ENCOURAGING, RATING SECRETARIAT'S ADMINISTRATIVE ABILITY AS FAIRLY GOOD AND PLANNING ABILITY AS NOT SO BAD. JAPAN INTENDS TO HONOR SECRETARIAT REQUEST TO SEND EXPERTS TO HELP PLANNING STAFF.

5. BILATERAL TRENDS OF US AND JAPANESE AID.
A) ISHII REVIEWED JAPANESE AID PERFORMANCE. 1973 WAS BANNER YEAR; 1974 WAS NOT. ODA DID STAY THE SAME (1,126

MILLION DOLLARS OR 0.25 PERCENT OF GNP IN QOUR COMPARED TO 1,011 MILLION DOLLARS OR 0.25 PERCENT OF GNP IN 1973). BUT TOTAL FLOWS SUFFERED A HUGE DROP TO 2,962 MILLIN DOLLARS OR 0.66 PERCENT OF GNP (COMPARED TO 5,844 MILLIN DOLLARS OR 1.42 PERCENT OF GNP IN 1973). (THESE STATISTICS SHOULD BE TREATED CONFIDENTIALLY UNTIL ANNOUNCED BY GOJ AROUND MID-JUNE.) ISHII ATTRIBUTED THIS TO DECREASED COMPETIVENESS OF JAPANESE ENTERPRISES DUE TO CURRENCY REALIGNMENTS AND TO MOF RESTRICTIONS ON THE OUTFLOW OFFUNDS. LATIN AMERICA'S SHARE OF JAPAN'S OUTWARD FLOOWS IN 1974 REMAINED ROUHHLY THE SAME AS IN 1973. 4.5 PERCENT OF BILATERAL OFFICIAL LOANNS (4.6 PEERCENT IN 1973), TQMI PERCENT OF DIRET INVESTMENT (55.4 PERCENT IN 1973) AND 26.8 PERCENT OF EXPORT CREDITS (43.1 PERCENT IN 1973.)

B) GOJ ANTICIPATES FEW GRANTS TO LATIN AMERICAN COUNTRIES BEYOND TECHNICAL ASSITANCE (THOUGH ITS RECENT CONTRIBUTION TO IDB--80 MILLION DOLLARS OVER THREE YEARS--IS A GRANT); OFFICIAL LOANS MAY GO TO RELATIVELY POOR COUNTRIES SUCH AS BOLIVIA AND PARAGUAY (WHICH WOULD RECEIVE FIRST PRIORITY), PERU, COLUMBIA, AND ECUDOR. JAPANESE RECOGNIZED INBALANCE BETWEEN HIGH PERCENTAGE OF INVESTMENT FLOWS TO LA AND LOW PERCENTAGE TO LA OF ODA AND OTHER OFFICIAL FLOWS. JAPANESE WERE INTERESTED IN REIMBURSABLE TECHNICAL ASSISTANCE CONCEPT FOR RICHER COUNTRIES.

C) KLEINE REVIEWED US PERFORMANCE, NOTING THAT
CONFIDENTIAL

PAGE 04 TOKYO 07143 01 OF 02 300953Z

DECREASED AID TO LATIN AMERICAN REFLECTS WORLD-WIDE CUTBACKS IN THE U.S. AID PROGRAM. HE ALSO NOTED USG INCREASED EMPHASIS ON AID THROUGH IFI'S A D CONCEN- TRATION OF BILATERAL AID ON POOREST MAJORITY IN POOREST COUNTRIES.

D) JAPANESE ASKED ABOUT MILITARY ASSISTANCE LEVELS. ROGERS AND KLEINE GAVE SKETCH OF SITUATION AND

NOTE BY OC/T: NOT PASSEVD ALL ARA DIPLOMATIC POSTS.

CONFIDENTIAL

PAGE 01 TOKYO 07143 02 OF 02 301009Z

20
ACTION EA-10

INFO OCT-01 ISO-00 ARA-06 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 PM-03 H-02 INR-07 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

IO-10 SAM-01 /094 W

----- 118501

O 300841Z MAY 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 495

C N F I D E N T I A L SECTION 2 OF 2 TOKYO 7143

PROMISED THAT AN AIDE MEMOIRE WITH THE DATA
WOULD BE FURNISHED JAPANESE EMBASSY IN WASHINGTON.

6. MULTILATERAL AID INCLUDING I.D.B.

KLEINE REITERATED THAT USG APPROACH HAD BEEN COMBINA-
TION OF MAINTAINING STRONG BILATERAL CAPACITY FOR AID
TO POOREST COUNTRIES WHILE ENCOURAGING BUILDING UP OF
IFI'S. NEXT BIG ITEM OF INTEREST WILL BE IDB
REPLENISHMENT WHICH KLEINE REVIEWED. ISHII SAID GOJ
CONCERNED ABOUT IDB RATIFICATION PROBLEM AND WHETHER
LA COUNTRIES WILL TAKE ACTIONS IN TIME.

7. JAPANESE EXPRESSED CONSIDERABLE CONCERN OVER RE-
PORT FROM SANTO DOMINGO THAT PROPOSED RESOLUTION ON
NON-REGIONALS HAD BEEN AMENDED BEFORE IT WAS FINALLY
PASSED IN SUCH A WAY AS TO SUGGEST THAT REGIONALS HAD
EACH AND ALL TO RATIFY THE DEAL BEFORE ANYTHING FURTHER
COULD BE DONE. JAPANESE SAID IT MAY NOW BE DIFFICULT
TO SUBMIT AGREEMENT TO DIET UNTIL REGIONALS ARE ALL
IN LINE, AND JAPANESE FEAR RESULT MAY BE ANOTHER YEAR'S
DELAY IN THE SUBMISSION OF THE PROPOSAL TO DIET. WE
CONFIDENTIAL

PAGE 02 TOKYO 07143 02 OF 02 301009Z

PROMISED THEM THAT WE WOULD PROVIDE IMMEDIATE CLARI-
FICATION.

8. ENERGY.

ROGERS REVIEWED EFFECTS OF FOUR-FOLD RISE IN
OIL PRICES OF LATIN AMERICA. KATAKURA NOTED THAT ONLY
0.18 PERCENT OF JAPAN'S OIL IMPORTS ARE FROM LATIN
AMERICA, BUT NOTED JAPANESE INTEREST IN NEW DISCOVERIES
IN PERU AND POSSIBLY BRAZIL AND SAID MEXICO MIGHT
EVEN RIVAL SOME PERSIAN GULF STATES AS A MAJOR OIL
PRODUCER IN A FEW YEARS. KATAKURA ADDED THAT DATA WAS TEN-
TATIVE AND THAT JAPANESE PRIVATE INDUSTRY HAD DOUBTS AS TO WHETHER
PROVEN RESERVES IN PERU WOULD ACTUALLY INCREASE FROM
CURRENT 50,000 B/D TO 200,000-300,000 B/D LEVEL
NECESSARY TO JUSTIFY \$230 MILLION PIPELINE NOW UNDER
CONSTRUCTION AND SCHEDULED FOR COMPLETION BY MID-1977.

IN RESPONSE TO JAPANESE QUESTIONS OF MEXICAN DISCOVERIES
AND STRESSED SENSITIVITY OF MEXICANS TO FOREIGN COMMENTS
ON THIS SCORE.

9. BILATERALISM. DIRECTOR CENTRAL AND SOUTH
AMERICA DIVISION NAKASONE EXPRESSED CONCERN THAT IN
SETTING UP BILATERAL CONSULTATIONS WITH MORE POWERFUL
LATIN AMERICAN COUNTRIES SUCH AS VENEZUELA AND BRAZIL.
5#3 7 2- ,95 7**8:83,5)6 5-(8,& 8,59 -:::97,5
5#3 43-:589, -SMALLER LATIN AMERICAN COUNTRIES
WHO ALREADY HAVE ACCUSED VENEZUELA OF QUOTE NEO-
COLONIALISM UNQUOTE. ROGERS ACKNOWLEDGED BILATERAL
APPROACH COULD HAVE COSTS AS WELL AS BENEFITS, AND
SAID U.S. IS TRYING TO ASSURE SMALLER NATIONS THAT
IT WILL NOT LOSE SIGHT OF THEIR INTERESTS.

1P. RAW MATERIALS.

A) KATAKURA NOTED THAT IN WAKE OF OPEC SUCCESSES,
BAUXITE, IRON AND MERCURY PRODUCER UNIONS HAVE BEEN
ESTABLISHED. JAPAN FORESEES NO SERIOUS EFFECTS FROM
IRON UNION, BUT WILL MONITOR PRICE MOVEMENTS CLOSELY.
JAPAN IS 30 PERCENT DEPENDENT ON CPEC FOR
COPPER WITH 14 PERCENT COMING FROM LATIN AMERICAN, BUT
40 PERCENT OF COPPER NEEDS ARE SUPPLIED BY CANADA AND
PHILIPPINES, NEITHER OF WHICH IS A MEMBER OF CPEC.
CONFIDENTIAL

PAGE 03 TOKYO 07143 02 OF 02 301009Z

LATIN AMERICAN SUPPLIES ONLY ONE PERCENT OF JAPAN'S
BAUXITE, WHILE AUSTRALIA SUPPLIES 63 PERCENT, AND
JAPAN EXPECTS AUSTRALIA TO EXERCISE MODERATING INFLUENCE
ON IBA.

B) IN RESPONSE TO ROGERS'S QUESTIONS, KATAKURA SAID
GOJ FAVORS COMMODITY-BY-COMMODITY APPROACH TO RAW
MATERIALS AGREEMENTS. JAPANESE SIDE SEEMED UNCERTAIN
AS TO WHETHER LATIN AMERICAN COUNTRIES WOULD SUPPORT
THIS APPROACH.

C) DIRECTOR GENERAL DATE EXPRESSED SOME SURPRISE
AT US EQUANIMITY TOWARDS SELA, BUT AGREED THAT US
OPTIONS ARE NARROW AND SAID THAT SELA PROBABLY POSES
LITTLE THREAT AS VEHICLE FOR COORDINATING
UNITED FRONTS ON COMMODITY ARRANGEMENTS.

11. US TRADE ACT.

ROGERS EXPLAINED THAT LATIN AMERICAN ATTENTION HAD
FOCUSED ALMOST EXCLUSIVELY ON OPEC EXCLUSION PROVISION,
BUT UNDERSTANDING IS GROWING OF BENEFITS TO LATIN
AMERICAN IN TRADE ACT. SAITO, DIRECTOR OF SECOND NORTH
AMERICA DIVISION (ECONOMIC) RESPONDED THAT TIN GENERAL
GOJ ITSELF IS SATISFIED WITH TRADE ACT, BUT FELT THAT
IF OPEC EXCLUSION PROVISION NOT REMOVED, U.S. LATIN
RELATIONS WOULD SUFFER. ROGERS AGREED AND SAID
ADMINISTRATION HOPES AND EXPECTS AMENDMENT IN REASONABLY

NEAR FUTURE. SAITO SAID THAT JAPAN IS WRESTING WITH
A LIST OF ITEMS TO PRESENT AT GENEVA MLT NEGOTIATIONS BUT
STAGNANT ECONOMY AGREEMENT.

12. JAPAN AND US TRADE WITH LATIN AMERICA.

DATE PRESENTED PAPER SHOWING THAT THROUGH 1960'S
JAPAN'S BALANCE OF TRADE WITH LATIN AMERICA WAS IN
LATTER'S FAVOR, BUT IN 1970'S TREND REVERSED AND IS
EXPECTED TO CONTINUE FOR NEAR AND MEDIUM TERM, ALTHOUGH
IMBALANCES SHOULD NOT BE SUCH AS TO POSE SERIOUS
PROBLEMS FOR BILATERAL RELATIONS. MAIN OBSTACLES TO
INCREASNG IMPORTS FROM LATIN AMERICA ARE PRODUCTION
BOTTLENECKS AND LACK OF PRODUCT SUITABILITY FOR
JAPANESE MARKET. JAPAN HAS SENT A MISSION TO BRAZIL
TO PROMOTE TRADE AND INVESTMENT RELATIONS AND JETRO
WILL HOLD A BIG EXPOSITION FOR LATIN AMERICAN PRODUCTS
IN TOKYO THIS FALL. IN RESPONSE TO ROGER'S QUESTION
CONFIDENTIAL

PAGE 04 TOKYO 07143 02 OF 02 301009Z

CONCERNING JAPANESE EXPERIENCE WITH LA COUNTRIES RE JAPAN'S
GENERALIZED SYSTEM IN EFFECT SINCE 1971, KATAKURA SAID THAT IT
DID NOT SEEM TO HAVE
HAD ANY MARKED EFFECT ON TRADE WITH THE REGION AND
THERE HAD BEEN NO COMPLAINTS FROM LATIN AMERICAN NATIONS
ABOUT ITS ADMINISTRATION.

13. ACTION REQUESTED. DEPT PROVIDE BY IMMEDIATE CABLE CLARIFICATION
RE IDB REGIONAL MENTIONED PARA 7 ABOVE.
HODGSON

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO07143
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750189-0526
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505100/baaaaftr.tel
Line Count: 303
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUN 2003 by BoyleJA>; APPROVED <04 NOV 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: PFOR, EAID, US, JA, XM
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006